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Articles

Libya: Qadhafi's Prospects for Survival 25X1

Domestic opposition to Libyan leader Qadhafi continues to grow. Signs of an erosion in Qadhafi's political support include renewed plotting by military officers and more widespread grumbling about deteriorating economic conditions. Qadhafi's response to these developments has been to align himself more closely with hardliners. He shows no inclination to rein in the extremists, curtail costly foreign adventures, or backtrack on his unpopular economic programs, all of which could broaden his support. His refusal to compromise any aspect of his revolution or to make any effort to improve local economic conditions in the face of declining oil revenues only enhances the prospect of his ouster by dissidents, the military, or by fellow clan members in a preemptive move to protect their own positions.

The Faltering Economy

Libya has weathered the soft oil market by cutting back sharply on imports, scaling back the 1981-85 Five-Year Plan, slowing payments to suppliers, and resorting to oil barter deals. Despite producing about 150,000 b/d of crude oil above its OPEC quota of 990,000 b/d, Libya's export earnings are projected to remain at about $11 billion this year. Imports probably will fall to $7 billion, leaving a current account deficit of about $1.2 billion for 1985—a slight improvement from the $1.5 billion deficit last year.

While oil market conditions have prompted the government to reassess development goals, work on several prestige projects continues, although on a delayed schedule. Heading the list is the $11 billion Great Manmade River, a grandiose project to bring water from southern Libya to arid coastal regions. Completion of this project, along with other large-scale development programs—the multibillion-dollar steel mill at Misratah, an aluminum smelter at Zuwara, and the large petrochemical facility at Ra's al Unuf—is to be delayed for several years to conserve an estimated $3.5 billion in foreign exchange. 25X1

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Defense spending has been the last area to feel the pinch of declining revenues. Qadhafi came to power through a military coup, is well aware that the military poses the greatest threat to his regime, and will be careful to continue to meet the military's needs. We estimate that military imports will decline to about $1.6 billion this year from their peak of $2.8 billion in 1982, but most of the drop reflects the completion of deliveries under existing contracts.

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Domestic Unrest

The regime's efforts to deal with Libya's economic decline have placed a growing burden on the population. An increasing number of Libyans in Tripoli are complaining about an unprecedented deterioration in living conditions, 25X1
Shortages of food, water, 25X1
and electricity have become a way of life. Long lines at state-run stores are increasingly common, generating sporadic disturbances that have resulted in several deaths. 25X1
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These grievances probably are aggravated by Qadhafi's continual exhortations to revolutionary activity, which further undermine the sense of stability Libyans are seeking in their daily lives. In July, for example, Qadhafi ordered Western musical instruments in Libya destroyed as part of a new attack on symbols of Western culture. In addition, 25X1

dissatisfied Libyan university students sent Qadhafi a memorandum in which they linked expenditures for misguided foreign adventures to the current economic difficulties. Many Libyans apparently are holding Qadhafi personally responsible for excesses committed by his loyalists in enforcing his revolutionary dictums,

Dissatisfaction with Qadhafi since the beginning of the year is finding expression in various ways. anti-Qadhafi literature recently appeared again in several Libyan cities, and graffiti have even appeared on walls near Qadhafi's headquarters in Tripoli. Security crackdowns following the Libyan exile attack on Qadhafi's headquarters in May 1984 previously had stifled such activity.

Growing Support for the Opposition

In our view, antiregime sentiment probably is helping Libyan exile organizations build a network of support inside Libya. The exiles apparently have weathered the setback they suffered when Sudan withdrew its support for the National Front for the Salvation of Libya, the largest and most active Libyan opposition group, following President Nimeiri's removal last April. Cairo and Baghdad have replaced Khartoum as broadcast sites for anti-Qadhafi propaganda. Recent broadcasts from Iraq indicate that Baghdad has broadened its contacts with Libyan opposition groups.

Regime Countermeasures

Qadhafi almost certainly perceives an increasing threat of a coup. roundups and interrogations of suspected dissidents have grown. Security forces almost certainly are closely monitoring the activities of military officers—as many as 80 may have been executed last March for their involvement in the first military coup plot in two years.

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Qadhafi is proceeding with plans to strengthen his already tight personal security cordon. 25X1
Qadhafi's plan to assign some 25X1
Libyan officers to a new and relatively isolated 25X1
military headquarters compound in central Libya is intended in part to remove potential plotters from the capital. 25X1
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Prospects

Qadhafi in the past has temporarily compromised some of his radical principles to ease discontent, but his increasing reliance on youthful extremists in the Revolutionary Committees limits his room to maneuver. Indeed, his recent speeches and actions indicate that he is personally determined to sustain his revolution and to support foreign radicals. 25X1
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By replacing seasoned professionals with young zealots, Qadhafi almost certainly has increased the pool of officers willing to plot against him. Even members of Qadhafi's clan recently expressed renewed concern over the need for change, 25X1
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We believe they might even 25X1
move against Qadhafi to ensure their survival. 25X1
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If Qadhafi continues to reject compromise, he will 25X1
need, at a minimum, a hefty boost in oil revenues to reduce the current climate of discontent. Any hope for 25X1
increased oil demand and higher prices, however, runs counter to oil market trends. Moreover, unilateral Libyan attempts to boost oil sales would only put further downward pressure on prices and threaten the fragile OPEC discipline that remains. 25X1
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We doubt that recent attempts by Qadhafi's supporters to blame shortages of consumer goods on hoarding and mismanagement by local "fat cats" will satisfy many Libyans. Some Libyans may even take to the streets in protest if economic conditions continue to worsen. 25X1

For the moment, the exiles alone probably have the capability to conduct successfully only isolated sabotage operations. Nevertheless, the dissidents probably hope to launch another attack on Qadhafi in the near future to capitalize on his unpopularity as well as on their increased foreign support. If the dissidents have well-positioned supporters in the military willing to assist, we assess their chances of toppling Qadhafi are better than even. 25X1

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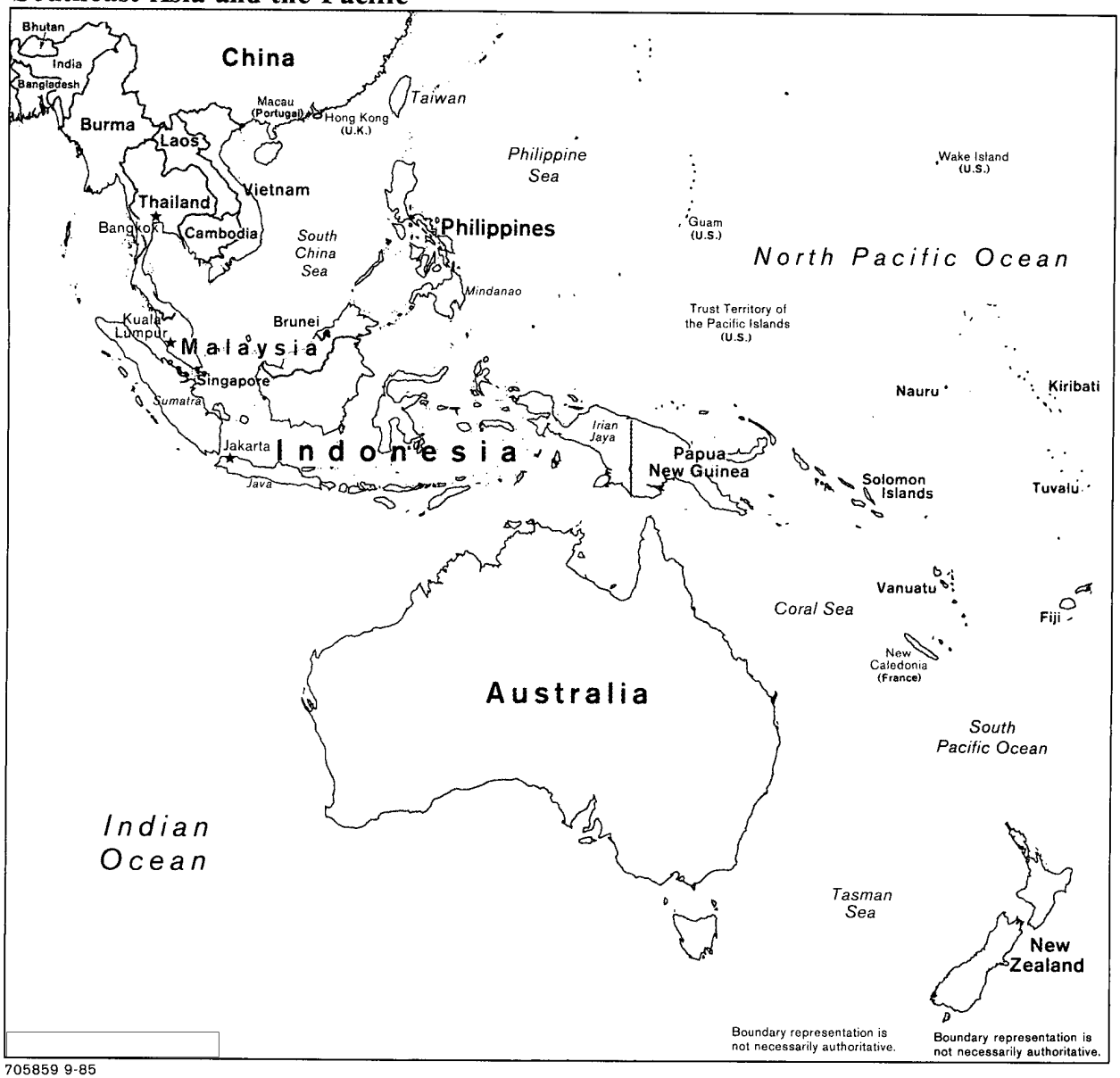
Southeast Asia and the Pacific



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Libya: The Subversive Role of the Islamic Call Society in East Asia

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Libya's Islamic Call Society is becoming more active in support of Tripoli's foreign policy aims in East Asia. These objectives include:

- Enhancing Libyan leader Qadhafi's image as a Third World revolutionary leader.
- Channeling increased Islamic fundamentalist activity in the region in ways favorable to Qadhafi's brand of Islamic populism.
- Utilizing any movement that will act against Western interests, specifically to hasten decolonialization of French possessions in the Pacific and to undermine essentially pro-Western regimes in the Philippines and Indonesia.

We believe Qadhafi's Revolutionary Committee members overseas will make use wherever possible of Islamic Call Society representatives to cover and coordinate their movements. In Southeast Asia, representatives of his Revolutionary Committees are replacing professional diplomats or assuming more influential roles within Libyan People's Bureaus (embassies). In Malaysia, a country hospitable to Libyans, Revolutionary Committee members are engaging in regionwide subversive activities.

Islamic Call's New Subversive Role

Although our knowledge of Islamic Call activities in East Asia is fragmentary and circumstantial, we know that Libya has used the society to train Asian youths for more than a decade. The Islamic Call Society was founded in 1971 under a mandate from the Islamic Conference Organization to foster Islam, particularly in countries with a Muslim minority. Originally a philanthropic organization, the Call Society sponsored mosque building and Islamic schools, and it promoted Islamic literature that would spread Qadhafi's version of the revolutionary potential implicit in Islam. Young Southeast Asian men were brought to Tripoli for intensive training in Arabic and Islamic theology, and those with radical potential often found themselves receiving paramilitary training as well. Many were sent back to their homelands as "missionaries"

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The Call Society's activities took a radical turn in 1984. In that year, the organization was placed under a newly formed Center for International Revolution (IRC), an organ of the Revolutionary Committee. The Islamic Call's role became increasingly radicalized,

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Islamic Call members in Thailand, Malaysia, Indonesia, the Philippines, Fiji, New Caledonia, Australia, New Zealand, and South Korea are now potential assets for IRC operations.

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In Indonesia, which has no diplomatic relations with Libya, Islamic Call personnel—usually serving as Muslim teachers—are forced to correspond and travel clandestinely to receive their instructions.

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Qadhafi's use of a network of hired native radicals in Asia is consistent with his use of the Islamic Call in many other countries, where he exploits the hospitality of his host to subvert him. Qadhafi has particularly amiable relations with Malaysia, Thailand, and the Philippines. He has been frustrated by Soeharto's refusal to allow a Libyan presence in Indonesia.

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Qadhafi also smells revolutionary opportunity among the Melanesian populations in the Pacific, many of whom are dissatisfied with the West's disregard for

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their grievances. [redacted]

[redacted] Few of these jurisdictions (New Caledonia, Vanuatu, and Irian Jaya) have a substantial Muslim population, but we know that Islamic Call representatives travel to the islands under the guise of missionary visits. [redacted] Call representatives were used to instigate anti-American incidents in Malaysia in 1980 and South Korea in 1982. [redacted]

Indonesia

Indonesia, the largest Muslim country in the world, has long been a favorite target of Libyan approaches, [redacted] the Islamic Call Society has played a key role in these efforts. Libya's attempts to establish even minimal diplomatic relations have failed because the conservative Indonesian military fears Qadhafi's radicalism. With no effective Muslim insurgency to support and Indonesian Muslim political leaders firmly under government control, Qadhafi has sniped at Indonesia's "Christianization" program and searched hard for radical recruits. [redacted]

Indonesian students were trained in Tripoli in 1974 under Islamic Call auspices. Ten of these students from Libya's Islamic Call University returned to Java and Sumatra, [redacted] Most found jobs as teachers at Muslim schools. Several were later detained for inciting antigovernment demonstrations and bombings during the 1977 presidential election.

[redacted] Tripoli hopes to appoint an Islamic Call operative as ambassador to Jakarta, should their attempts at diplomatic recognition succeed. [redacted]

[redacted] Soeharto has repeatedly warned Malaysian Government figures about his suspicions regarding the role of the Libyan People's Bureau in regional subversion and extremism. [redacted]

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Malaysia

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Malaysian leaders, who aim at good relations with all Arab countries, have consistently tried to maintain cordial ties with Qadhafi in hopes of getting Libyan aid. Malaysia allowed Libya to open a resident diplomatic mission in 1974, resulting in funding for one of Prime Minister Mahathir's pet projects—an International Islamic University. Malaysians have negotiated for Libyan investment and stronger trade links but have never been able to reach a major commercial agreement. [redacted]

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The Islamic Call Society operates in Kuala Lumpur to distribute society propaganda and to recruit Muslim teachers for training in Libya. [redacted]

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Libya has pushed sensitive Islamic projects such as a cultural center in East Malaysia, where Muslims are a minority and government control limited, and tried to set up conferences of Southeast Asian religious teachers, giving rise to Malaysian fears that radical Muslims may take over the proceedings. [redacted] Libyan gains in Malaysia may be further endangered if Malaysian officials discover Qadhafi has recently used a joint Libyan-Malaysian fund for Islamic projects to support radical groups in the Pacific region. [redacted]

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Pacific Region

Libyan meddling in the Pacific, in our judgment, is directly related to Qadhafi's goals of undermining US and French interests. Qadhafi's Center for International Revolution recently turned its attention to two incipient radical outposts—Vanuatu and New Caledonia. Vanuatu (New Hebrides) is an independent republic once administered jointly by France and the United Kingdom and is currently the

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only Pacific nation with membership in the Nonaligned Movement.

Libya has used Islamic Call representatives to keep abreast of increasing strife in the French colony of New Caledonia, where fighting between proindependence Kanaks (Melanesian natives) and French settlers forced Paris to send over 6,000 police and soldiers to Noumea in the last year.

Libya ordered its Islamic Call representatives in both New Caledonia and New Zealand to report on developments affecting the radical Kanaks. Both representatives flew to Kuala Lumpur to meet with People's Bureau officials last spring,

The Philippines

President Marcos has long faced a Libyan-supported Muslim separatist movement in Mindanao. Libya has supplied arms and training to the Moro National Liberation Front (MNLF) for years, supports the MNLF chief spokesman Nur Misuari, trains anti-Marcos Muslim guerrillas in the neighboring Malaysian state of Sabah, and was the instigator of the Tripoli accords of 1976 that promised more autonomy to Filipino Muslims. Marcos signed the accords but never implemented them to Muslim satisfaction. Qadhafi has declared on numerous occasions that the MNLF problem is a high priority for him.

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Thailand

The ever-cautious Thai have kept Qadhafi at arm's length for years, convinced that Libyan money backs a small Muslim separatist movement in southern Thailand. The presence of some 25,000 Thai workers in Libya led the Thais to allow a Libyan People's Bureau official in Malaysia to be accredited to Thailand as well. The Libyans have tried to implement their $4.6 million offer to build an Islamic Cultural Center in Bangkok, but the project foundered on Libyan insistence that their Islamic Call representatives man the center and supervise another $1.3 million for repair of rundown mosques in southern Thailand.

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A US Embassy report from Bangkok in December 1984 on the status of the demoralized Thai Muslim separatist movement (PULO) noted that Libya had trained over 100 Thai in demolition techniques in 1984 . At discussions in Kuala Lumpur last spring, Libyan Revolutionary Committee members decided to increase their contacts with Thai Muslim teachers and with the new leadership of PULO. We believe the Libyans will be tempted to use Islamic Call representatives to facilitate these contacts.

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Outlook

We believe that most Asian governments will continue to restrict Tripoli's activities as long as they believe that Libyan-backed personnel threaten to destabilize their own political futures. We also judge that area states would probably respond to Western pressure to keep the Libyans at bay.

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Those Asian nations that allow Islamic Call representatives to function on their territory, whether in the spirit of Islamic solidarity or receptiveness to Muslim philanthropy, are likely to closely monitor the representatives' activities. The Malaysians, who have provided the Libyans access to the region, may restrict Libyan activity if they become aware of Libyan duplicity in their bilateral relationship. On the other hand, the more naive countries of the Pacific might provide new subversive opportunities for Libya in that strategic region.

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Sudan: Consequences of the Drought

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Sudan is among Africa's more seriously famine-stricken countries. Some 20 percent of the country's population remains at risk, and over 1 million refugees from neighboring states further strain limited resources. Even though US and other donors have narrowed the food gap in the past year, Sudan's grossly inadequate infrastructure has hindered the distribution of the aid received. In addition, bureaucratic inefficiency, fuel shortages, corruption, and the insurgency in the south continue to complicate relief efforts.

Sudan's new leaders—grappling with serious political, security, and financial problems—see the famine as one more burden rather than the major concern. Their immediate focus has been retaining political control, including containing civil unrest by keeping the capital, Khartoum, well stocked with food and fuel. The government continues to cooperate fully with relief efforts in the hope of attracting additional financial support. Khartoum, nonetheless, will oppose any large-scale cross-border feeding operations into Ethiopia to preclude increased Ethiopian support for southern Sudanese insurgents.

The Current Situation

An estimated 9 million Sudanese nationals and refugees are receiving some type of assistance through international relief efforts. Sudan's longstanding policy of providing asylum for those fleeing from neighboring countries has significantly added to its drought-related problems. Over the past year, approximately 240,000 Ethiopians and 120,000 Chadians have crossed into Sudan. Ugandan refugees total some 250,000.

International relief efforts have made a substantial contribution toward meeting food needs during the current marketing year (1 November 1984–31 October 1985). USAID estimated annual Sudanese grain requirements at close to 3.7 million metric tons. Domestic production is only 1.5 million tons annually. A severe shortage of foreign exchange has limited commercial imports to just over 100,000 metric tons, leaving a gap of nearly 2.1 million tons. Food aid has climbed to about 1.7 million metric tons—the United States accounts for 80 percent—leaving a gap of just 400,000 tons.

The narrowing of the food gap has focused attention on distribution problems. Port Sudan has relatively good unloading and storage capacity. Most of the trouble exists with ground and air transport:

- Railroads suffer from shortages of locomotives, freight cars, spare parts, and fuel.
- Road transport lacks sufficient fuel and trucks and has been hampered by rains that are flooding roadways.
- Air transportation is hindered by poor airfields and facilities that limit the type, size, and number of aircraft used in relief operations.

Moreover, fuel shortages may intensify soon as oil supplies from earlier relief deliveries run out.

The transportation problem has taken on an added sense of urgency as famine problems shift westward. Heavy rains in the west have boosted production prospects but have also closed many roads. Air flights are far fewer than needed, according to the US Embassy. For example, some 15 flights per day to El Geneina are needed, but only three arrive daily. In addition, the runway there is breaking up under the weight of C-130 transports. The recent deployment by the United States of three civilian helicopters in the west and the supply of 10 new railway cars and spare parts should help to alleviate some of the problems. Distribution problems appear to have eased in eastern Sudan because of the shorter distances from Port Sudan as well as fewer-than-expected Ethiopian refugees.

The US Embassy reports that prospects for delivery of food to the south remain poor in the near future. Similar to the west, rains have complicated transportion, and the security threat posed by the insurgency and general lawlessness remain the major deterrents.

Moreover, the lack of government control outside of Khartoum has led to corruption and diversion of aid when local officials have been given the responsibility for food distribution. The US Embassy reports a USAID survey in early June in the Kordofan region indicated that most of the grain was allocated to Army families. In another case, World Food Program grain released to government officials in a northern city ended up mainly in the stores of local merchants. In addition, bandits have preyed on relief convoys in the west.

Government Policy

In contrast to the ousted Nimeiri regime, Khartoum's new leadership admits publicly the severity of the drought and famine. The leadership has cooperated fully with the international relief effort and has kept Sudan's borders open to refugees, partly for humanitarian reasons but mainly to project a positive image that will attract additional financial support. The Sudanese official media have increased coverage of international relief efforts. To some extent, the willingness to admit dependence on foreign food donors is embarrassing and highlights the government's inability to solve the country's problems.

Khartoum's efforts to pursue a nonaligned foreign policy have not produced a significant increase in aid. Libya had promised a 1,000-truck convoy of food aid, but the US Embassy reports that so far only 43 trucks have arrived. Libyan aircraft donated to fly relief missions to the west have not been used because they are too large for Sudan's airfields. In addition, only a portion of the 300,000 tons of petroleum promised by the Libyans has been delivered. The Soviets have sent only a nominal shipment of food aid since the coup, and the Iranians have offered to send unspecified aid following the recent renewal of ties.

Outlook and Implications

Sudan will look to the United States again next year for substantial food aid. Although recent rains will help boost output, it will take at least a couple of years before production returns to normal levels. Sudan, moreover, is making little progress in paying overdue debts and securing credit, which will further limit already low commercial imports.

US and Western donations of grain and other forms of aid will continue to be a source of influence with the current government in Khartoum, although the close relationship with the former Nimeiri regime is unlikely to be duplicated. The presence of Libyans, Iranians, and possibly Soviets in greater numbers poses additional security threats to US personnel involved in relief efforts as does Khartoum's inability to maintain security in the west and south.

Although the government will continue to cooperate with international relief efforts and allow its border to remain open to refugees, it probably will be less willing to allow large-scale cross-border feeding operations into Ethiopia over the next year. Khartoum is hoping to persuade Addis Ababa to end support for Sudan's southern insurgents and will want to avoid any appearance of support to Ethiopian dissidents. Sudanese leaders, however, may agree to cross-border feeding programs if they can be carried out without angering Ethiopia.

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Sudan: The Ansar—A House Divided

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Factionalism in the Ummah Party—the Ansar sect's political group—has hobbled the leadership of party president Sadiq al-Mahdi and prevented the party from achieving the organization needed to win in national elections scheduled next year. Sadiq's Libyan-backed rival, Wali al-Din al-Hadi al-Mahdi, cannot challenge Sadiq's control, but he can counter Sadiq's influence and appears prepared to play the role of spoiler to Sadiq's bid to win unanimous support of the Ansars.

Divisions within the party are likely to remain unresolved, and the party will be weakened if the elections occur next April. The possibility of a Democratic Unionist–Ummah coalition, the alliance most likely to form a majority in elections, is further weakened by the factionalism among the Unionists. In the event of a cancellation of elections as a result of either a military dictatorship or a takeover by elements hostile to the religious right, the factions may unite in opposition to the ruling regime.

Background

The Ansar sect, an Islamic fraternity or order, developed in 1881 around the charismatic leadership of an obscure northerner who declared himself the divinely guided Mahdi, a messenger of God and representative of the Prophet Muhammad. Today, it is the largest association in Sudan, with membership estimated at 5-6 million. Ansars are concentrated primarily in the rural central and western regions of Sudan, although in recent years they have migrated in significant numbers to Khartoum and other urban centers. Members represent virtually all occupations and economic classes in the country and constitute a disproportionate percentage of the rank and file in the military.

From its inception, the Ansar has been a political force in Sudan, hierarchically organized under the control of the al-Mahdi family. The Ummah Party, the political arm of the Ansar, dominated Sudanese politics from independence in 1956 until President Nimeiri took power in 1969. Outlawed by Nimeiri, the Ummah Party was part of the National Front in opposition to his regime and, in 1976, organized a futile coup attempt. The party participated in Nimeiri's program of national reconciliation the following year but took little part in the government. In 1983, after the arrest of party leader Sadiq al-Mahdi for alleged plotting against the regime, the Ummah Party resumed opposition to Nimeiri from its base in London until his ouster in April of this year.

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The Ummah Party is divided into three factions as a result of feuding for the leadership among members of the al-Mahdi family. In 1966 a split occurred between the traditional wing under the spiritual leadership of the Imam al-Hadi al-Mahdi and the majority moderate faction led by Sadiq al-Mahdi, the Imam's nephew, who had spoken against religious sectarianism in politics. When the Imam was killed in 1970 following Nimeiri's attack on Aba Island, the Ansar ancestral seat, succession to the imamate was claimed by three family members—Sadiq, the Imam's son Nasr, and the Imam's brother Ahmed. The imamate conflict is expressed in the leadership of the three factions: Sadiq, leader of the moderate Ummah wing; Wali al-Din, Nasr's brother and leader of a more radical faction loyal to the late Imam; and Ahmed, leader of the faction that cooperated with the Nimeiri regime.

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Sadiq Sidiq al-Mahdi

Sadiq al-Mahdi has the broadest support among the Ansar sect. Sadiq, the recognized Ummah leader since 1964, was elected Imam of the Ansar in 1983, through adroit political maneuvers. Although he has spent much time in exile, Sadiq's charismatic leadership has ensured the loyalty of the majority of the Ansars.

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Sadiq supports a strong ruling Military Council, which he sees as the best assurance for national elections, planned for April. Sadiq recognizes that the current government is shaky 25X1 25X1 25X1 Sadiq's faction has also begun to play a bigger role in the Gathering, the umbrella organization of the major political parties and trade unions that serves as a lobby to both the Military and Civilian Councils. 25X1 25X1

Sadiq's wing of the Ummah Party may encounter some problems in forming political coalitions before elections, in spite of Sadiq's moderate views and broad popular support. The Democratic Unionist Party, led by Sharif Zain Abdeen al-Hindi, and Sadiq's Ummah Party align closely on most issues, but they will have difficulty overcoming internal dissensions and their historical antagonism in any attempt to accommodate a viable coalition. Sadiq is also unlikely to form an alliance with Hassan al-Turabi's faction of the Muslim Brotherhood because of al-Turabi's association with Nimeiri and past personal disputes. [1] 25X1

In interviews, Sadiq has stated his party's nonaligned orientation includes normalization of relations with all of Sudan's neighbors. According to the US Embassy, Sadiq wants to maintain Sudan's friendship with the United States and is confident of the US commitment to Sudan. According to a US Embassy source, Libya has agreed to provide Sadiq with considerable financial support in exchange for his promise to endorse Sudanese-Libyan unity, should Sadiq become the next head of state. Nonetheless, Sadiq is wary of Qadhafi, who he claims is financing Wali al-Din's faction. 25X1 25X1

The Ummah Party under Sadiq is well organized at the middle and upper levels but relies heavily on religious affiliation to the Ansar sect at the grassroots level, resulting in a loose local organization. Sadiq, as Imam of the Ansar and president of the Ummah, has undisputed control over the 50-member politbureau. Ummah organization includes a militia, estimated at 3,000 members in the Khartoum area, including approximately 500 Libyan-trained and well-armed fighters, In addition, Sadiq is protected by a 70-man paramilitary unit and could also rely on the support of Ansars within the armed forces. 25X1 25X1 25X1

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Wali al-Din al-Hadi al-Mahdi

Wali al-Din al-Hadi al-Mahdi split from his cousin Sadiq's leadership in the late 1970s in disagreement with Sadiq's reconciliation with Nimeiri. Officially formed after the 6 April coup, Wali al-Din's party, the party of the Ansar of Imam al-Hadi, has limited support among the Ansars. His attempts to increase support have included undermining Sadiq's right to the imamate through a declaration that, since the body of Wali al-Din's father had not been found, Imam al-Hadi must still be alive. Wali al-Din was also involved in an incident in which he and several supporters muscled their way into a mosque and led a pro-Sadiq congregation in prayer, finishing with a scathing sermon accusing Sadiq of complicity in the Imam's death.

Wali al-Din's political importance stems from the size and training of his armed militia. Wali al-Din has sponsored Ansar commando training in Ethiopia for several years. Of the approximately 5,000 Ansars in Ethiopia, at least 800 have returned to Sudan, most of them loyal to Wali al-Din. We believe that, in the unlikely event that Wali al-Din comes to power, he would seek Addis Ababa's help in controlling southern dissident Col. John Garang in exchange for action against Ethiopia's Eritrean and Tigrean rebels. 25X1

Wali al-Din has touted nonalignment for Sudan, but he leans more to Libyan support. In addition to military training, his party receives financial support from Libya, 25X1
According to the US Embassy, the party of the Ansar of Imam al-Hadi also receives funding from the Iraqi Ba'thist party. We believe that Wali al-Din, like his Ansar brothers, is suspicious of Egypt but recognizes the need for better Egyptian-Sudanese relations based on Nile basin cooperation. 25X1

To increase his political viability, Wali al-Din has attempted to establish alliances with other political parties. Wali al-Din had extensive contacts with the Democratic Unionists while in exile in London, and we believe that he may have informally agreed to collaborate with them in next year's elections. We believe that Wali al-Din also may have sought alliances with southern leaders other than Garang, including the Southern African National Union. It is unlikely that he will collaborate with Hassan al-Turabi's faction of the Muslim Brotherhood, but Wali al-Din may cooperate with the rival Muslim Brotherhood faction of Abd al-Majid 25X1

Sadiq and Wali al-Din are unlikely to reconcile unless Wali al-Din finds himself isolated politically. As long as Libya and the Ba'thists continue to fund his party and he maintains a dialogue with the Unionists, we believe that Wali al-Din will not choose to reunite with Sadiq. If the two leaders reconcile, Sadiq will have to relinquish some of his power to Wali al-Din and recognize his legitimacy as a leading party member. Such an accord could occur in the unlikely event that Wali al-Din's opposition to Sadiq increases and effectively hobbles Sadiq's leadership. 25X1

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Ahmed al-Mahdi

The splinter group headed by Sadiq's uncle, Ahmed, has little support among the Ansar community. His faction, the party of the Ummah and Ansar, was established to perpetuate a 12-year-old personal dispute between Ahmed and Sadiq. Ahmed, who announced his loyalty to Nimeiri in the early 1970s, astounded fellow Ansars when he denounced Sadiq's failed coup attempt against Nimeiri in 1976.

, the Gathering expelled Ahmed in June, claiming that he had been a tool of the Nimeiri regime. Ahmed will probably throw his support behind Sadiq during elections to avoid weakening the Ummah Party.

Outlook

The major obstacle for Ummah Party success in the formation of a civilian government is the factionalism within the party. Although Sadiq's wing of the Ummah has the greatest support, Wali al-Din could function as a spoiler to Sadiq's bid to win unanimous support in the party. Unless Sadiq can reconcile with Wali al-Din, intraparty squabbling will dissipate Ummah energies. The future of strong Ummah alliances with other parties will also suffer if the party continues to be divided.

Nonetheless, we believe that Sadiq will play a role in any future civilian government. His Ummah support as well as his political experience make Sadiq an important candidate for leading civilian positions. Wali al-Din may not succeed in removing Sadiq from the political scene, but, if he continues to oppose Sadiq, he will make Sadiq's control less secure. 25X1

In the event of a cancellation of the national elections planned for next April, all of the factions of the Ummah Party are likely to suffer politically. If the ruling Military Council decides to keep control of the government, the Ummah Party factions could form a loose association in opposition to the government.

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If a leftist-sponsored coup overthrows the Military Council, Wali al-Din's association with the Ba'thists would place his group in a more viable position than Sadiq's faction. Sadiq has some connections with the Communists, and they might use him to legitimize the coup without actually giving him power. Neither faction, however, would be given significant control in a leftist regime, and such a scenario would probably result in the eventual reconciliation between Sadiq and Wali al-Din in opposition to the new regime.

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PLO Influence on the West Bank

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The PLO has successfully maintained support and influence among the Arab population of the West Bank in spite of challenges from both the Palestinian left and Islamic right. Islamic fundamentalists are capturing more support in West Bank universities and refugee camps by offering a stark alternative to Palestinians who have grown weary of the secular political parties' competition and skeptical of their effectiveness. Nevertheless, PLO factions—particularly Arafat's Fatah group—have preserved a predominant position, in part through strong support from West Bank university activists and also through rallying broad popular support by effective use of the West Bank and Jordanian media.

Universities

PLO support and influence are strongest on the West Bank's four university campuses—Hebron, Nablus, Bir Zeit, and Bethlehem—where major PLO factions compete intensively for advantage. Supporters of Fatah, the largest faction led by PLO Chairman Arafat, continue to be the dominant campus political group, representing over 45 percent of the student body, according to US Consulate General reporting.

US Consulate officials also report, however, that Fatah faces challenges from both the Palestinian left and Islamic right. The challenge from the Syrian-supported left has so far been easily contained by the pro-Arafat forces, in large part because of West Bank revulsion at Damascus for its support of Lebanese Shia attacks against Palestinian refugee camps in Beirut.

Arafat's biggest challenge is from increasingly active Islamic fundamentalists, who account for about 20 to 25 percent of the West Bank student population. Typically, students turn to Islamic fundamentalism in the belief that the causes of political, economic, and social ills can be remedied by ridding society of corruption and decadence through adherence to a rigorously Islamic lifestyle and eventually by establishing an Islamic state on the Iranian model.

In the past, Islamic fundamentalists supported pro-Arafat groups against secular leftist bodies, including the Communists, the Democratic and Popular Fronts for the Liberation of Palestine, and pro-Syrian Fatah dissidents. But this association has unraveled. Cooperation between the fundamentalists and pro-Arafat groups at Hebron University broke down in the student council election in December 1984 over changes in the university's board of directors. The Islamic block proceeded to run independently and won all nine student council seats.

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Deep divisions between secular nationalist and Islamic fundamentalists are also apparent at an-Najah University in Nablus. The strength of campus fundamentalism was most clearly reflected in the recent, forcible dismissal of the university's vice president for writing a revisionist history of early Islam. The fundamentalists' strength at an-Najah has encouraged PLO groups to mute their differences. For example, pro-Arafat and pro-Syrian groups did not clash as violently there as at other universities in response to the camp wars in Beirut—probably in large part to avoid giving the fundamentalists new opportunities to strengthen their support.

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Arafat maintained his influence at Bir Zeit University during the last year through an alliance of student groups affiliated with Fatah and the Democratic Front. The coalition won control of all the student council seats in a January election, despite losing some ground to the Islamic right.

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The Hussein-Arafat framework for joint action, agreed to in February, strained this alliance. Tensions boiled over into violent campus demonstrations during the battle of the camps in Beirut, causing the university's administration to close the school campus until the fall semester.

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Pro-Arafat groups improved their position somewhat in the recent student election at Bethlehem University. Last year, Arafat supporters won only one

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seat, losing to leftists by an average margin of 80 votes in the balloting for the other seats. This year, they again lost in the voting for all but one seat, but only by an average margin of 20 votes. This improvement is significant in that it came after the announcement of the Hussein-Arafat agreement, which saw Arafat's prestige sink among some student activists and before the fighting in the Beirut camps boosted his popularity.

The Media

Arafat's ability to use the media to strengthen his support among West Bank students and the territory's broader Arab population was underscored by his convening of the Palestine National Council last November in Amman. The Council meeting was closely followed by West Bank Arabs through extensive Jordanian television broadcasts and significantly strengthened Arafat's prestige and support among the territory's residents.

According to the US Consulate General in Jerusalem, West Bankers were particularly impressed that Arafat and his colleagues could conduct orderly discussions of highly emotional issues related to Middle East peace negotiations and that Arafat summoned the will to defy strong Syrian and radical Palestinian opposition to the conclave. King Hussein's dramatic speech opening the meeting and his highly visible consultations with Arafat during the proceedings also enhanced Arafat's legitimacy in the eyes of many West Bankers, who believed he was finally beginning to address "their problems" in a more realistic manner.

While not as dramatic as the Council meeting, the East Jerusalem and West Bank Palestinian press further assists in building Arafat's support on the West Bank. The press consists of four daily Arabic newspapers; two weeklies (one in English); a few magazines printed weekly, biweekly, or monthly; and numerous irregular publications. Among the most important are the dailies, "Al-Quds" (pro-Jordanian), "Al-Fajr" (pro-Fatah), "Al-Mithaq" (pro-dissidents), "As-Shaab" (generally pro-Fatah but occasionally supportive of the Popular and Democratic Fronts), and the weekly "Attaliah" (Communist). "Al-Quds" is the undisputed leader in quality of production and popular appeal; the others have limited circulation.

Arafat on occasion has deliberately manipulated the press to buttress his image of broad popularity. For example, a poll conducted in July 1985 by a new, strongly pro-Arafat Palestinian "think tank" in East Jerusalem not surprisingly showed overwhelming support among West Bank residents for the PLO chairman. Some Middle East observers questioned the validity of the survey because it was conducted mainly among college-educated urban dwellers who are generally Fatah supporters. According to the Consulate General, however, the results are accurate because they reflect the beliefs of the politically active population. More important for Arafat, the poll was published widely in the Palestinian press—undoubtedly with the aim of strengthening his West Bank support.

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Refugee Camps

the Palestine National Council meeting last November boosted Arafat's image in West Bank refugee camps to an alltime high, but since then Arafat has struggled to retain their backing. In many camps, Palestinians apparently have been strongly influenced by the split within the PLO between pro-Arafat groups and radical, Syrian-supported factions opposed to the PLO chairman.

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At Deheisheh refugee camp, near Bethlehem, a vocal minority of radicals led by the Popular Front has taken a strong stand against Arafat's dialogue on peace negotiation issues with King Hussein. The growing rivalry between the radical minority and Arafat supporters has generated repeated violent confrontations within the camp and has spilled over into acts of violence against nearby Israeli settlers.

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In the face of this challenge, the camp's Fatah loyalists have sought to broaden their support through an alliance with Islamic fundamentalists. Though fragile, this coalition so far has proved more durable than similar alliances on the university campuses. Together, Fatah and the fundamentalists enjoy the backing of over 60 percent of the camp's population.

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Outlook

We judge that the PLO will continue to hold the support of most Arabs on the West Bank. In spite of challenges to Arafat's leadership within PLO ranks, he is still seen by most Palestinians as the symbol of an independent Palestinian movement. Arafat's use of the local Palestinian media to bolster his image has helped to maintain this perception. [redacted] 25X1

The Beirut camp wars also have strengthened Palestinian mistrust of Syria and Syrian-allied Palestinian radical groups. It is not likely that Arafat will face a serious challenge from leftist or pro-Syrian groups in the West Bank as long as they are perceived as proxies of Damascus. [redacted] 25X1

Support for Islamic fundamentalism will probably increase at refugee camps and universities if pro- and anti-Arafat groups continue to wrangle inconclusively, and particularly if the peace process remains stalemated. The fundamentlists' prospects for making inroads among the mass of West Bank Palestinians, who continue their traditional lifestyles centered around agrarian occupations and cottage industries in small towns and larger urban areas, are more doubtful and probably will be influenced by the fundamentalists' ability to organize as a political group to compete with Arafat loyalists. [redacted] 25X1

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A Survey of Islamic Banking [1]

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Between 1975 and 1985 the number of Islamic banks worldwide grew tenfold, to 40, The combined assets of the Islamic banks in Bahrain, Egypt, Jordan, Kuwait, Qatar, Saudi Arabia, Sudan, and the United Arab Emirates equal some 10 percent of aggregate commercial bank assets in those countries. If Bahrain's offshore assets are included, the share is 7 percent.

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The current economic slowdown in the Middle East has forced Islamic banks and all other Arab financial institutions into a shakeout that not all will survive. Although Islamic banking is here to stay, its small overall share of world banking transactions does not pose a serious threat to Western banks.

What Is Islamic Banking?

Because Islam condemns all interest on the grounds that it unjustly separates the borrower and the lender and places all risk with the former, Islamic banking is designed to provide institutions to share financial risk more "equitably." In reality, the need to attract deposits, make profitable investments, and react to Western regulatory authorities has forced Islamic banks to devise novel investment techniques—often only cosmetically Islamic—to reconcile payment of interest with religious values.

There is a consensus within the international banking community that Islamic banks bend their religious principles to do business with non-Islamic institutions. Western bankers, for their part, are usually willing to accommodate individual Islamic investors or institutions that are trying to avoid constraints of the Sharia—Islamic law. One Western banker, for example, noted that his institution "takes care not to call interest 'interest' when dealing with Islamic banks." Other Western bankers report that Islamic banks secretly accept interest payments from non-Islamic banks.

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The phrase "Islamic banking" is a contradiction in terms according to many bankers, who note that it is theoretically possible to act as an Islamic bank only in a totally Islamic financial system and that no such system exists. Pakistan, the first country to run its entire domestic banking system on Islamic principles, has to deal with interest-based Western banks. The dilemma for Islamic banks is that, if they accept or pay interest, they cannot be "Islamic," but that, if they do not accept or pay interest, they cannot be "banks," since banks by their very nature rely on interest. So, Islamic banks impose service charges and management fees that are carefully calculated to equal amounts that interest-based banks would charge. Depositors are granted "free" services that are carefully calculated to equal in value services that interest-based banks would offer. "Same meat, different gravy," said one prominent Saudi Islamic banker in comparing Islamic and Western banks.

Islamic banks are limited to four types of investment:

- *Trust financing* in which the bank supplies all of the capital required, and clients supply the management skills. Profits are shared on a prearranged basis. Capital losses are borne by the bank alone, while clients lose the value of their work.

- *Participation financing* in which the bank provides part of the capital, and the bank and the client share any profit or loss.

- *Rental financing* in which the bank acquires equipment or buildings and leases them to clients. In some cases, clients may purchase the rental property by paying installments into a savings account. The bank reinvests the money, allowing clients to offset rental costs.

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Table 1
Commercial Bank–Islamic Bank Comparative Data

Million US $

	Bahrain	Egypt	Jordan	Kuwait	Qatar	Saudi Arabia	Sudan	United Arab Emirates [b]
Assets/liabilities of commercial banks, 1984	3,201 [b]	42,545 [d]	4,466	25,837	2,799 [a]	36,475 [a]	2,517	24,172
Assets/liabilities of Islamic banks, 1984	46 [a]	2,516 [a]	85-100	2,778	129	8,500-9,000	350-400	219 [a]
Demand deposits of commercial banks, 1984	429 [b]	6,506 [d]	832	2,112	702 [a]	14,327 [a]	1,012	1,624
Time and savings deposits at commercial banks	1,565 [b]	19,689 [d]	2,166	11,521	1,336 [a]	8,126 [c]	556	10,345
Current account deposits and investment account deposits at Islamic banks	11 [a]	1,954 [a]	65-75	2,335	71	3,400-3,700	200-250	192 [a]

[a] 1983.
[b] Does not include offshore banks, which reported 1983 assets at $62.7 billion.
[c] Quasi-money deposits.
[d] Deposit money banks only; does not include other banking institutions.

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- *Cost-plus trade financing* in which the bank purchases raw materials, goods, or equipment and sells them to clients on an agreed cost-plus basis.

Islamic banks build their portfolios to favor real estate, trade promotion, and industrial product import financing and profit-and-loss sharing, in that order. Profitability and size are inversely correlated—the smallest banks are consistently the most profitable, the largest banks are the least profitable. (The study provides no explanation why smaller banks are consistently more profitable than larger institutions.)

Short-term—less than one month—handling of excess liquidity has posed special problems for Islamic banks and has limited their participation in money markets. Islamic law prohibits interest on the overnight loans that Western banks make routinely, and the four types of allowed investment do not work smoothly in very brief periods. One technique Islamic banks use to deal with this problem is to invest short-term funds in commodities, often metals, and hope to profit on a quick resale. Another technique is to buy shares in current projects of other banks and to sell them when funds are needed. No country has developed the financial instruments that will be fully consistent with Islamic principles and its central bank's reserve requirements. [2]

Islamic banks have increased the net savings ratio by attracting money that otherwise would have been hoarded, especially from the religious and the relatively poor. But since investments in real estate and trade financing are investments in already existing assets, the investments do not adequately foster economic development.

[2] The three most powerful tools used by the US Federal Reserve System—changing the rediscount rate, changing the required reserve ratio, and open market operations—would violate the principles of the Sharia. Only the weakest weapon—moral suasion—would appear to be available to Islamic central bankers.

Table 2
The 10 Largest Islamic Banks

Million US $

	Location	Startup Date	Capitalization Authorized/ Paid Up
Islamic Development Bank	Saudi Arabia	1975	1,960/1,250
Dar al-Maal al-Islami	Registered The Bahamas Switzerland	1981	1,000/316
Al-Rajhi Investment Banking Corporation	Saudi Arabia	1983	NA/213
Bank Islam of Malaysia	Malaysia	1983	206/33
Al-Baraka Group	Saudi Arabia	1982	183/NA
Islamic Bank System International Holding Corporation	Luxembourg	1978	100/26
Faisal Islamic Bank of Sudan	Sudan	1977	77/44
Kuwait Finance House	Kuwait	1977	62/61
Qatar Islamic Bank	Qatar	1983	55/NA
Faisal Islamic Bank of Egypt	Egypt	1977	40/38

Government Intervention

The general rule is the wealthier the country and the better it has been served by Western-style banking, the less the government regulation. Islamic banks in the relatively wealthy countries such as Kuwait, Qatar, and the UAE rely less on government intervention and financial support than those located in the poorer countries like Sudan, Pakistan, and Malaysia. Islamic banks in Kuwait, for example, get very little governmental supervision as they compete in open markets. Bank Islam of Malaysia, in contrast, relies heavily on governmental protection; no other Islamic bank can enter its market for at least 10 years.

The Future of Islamic Banking

Islamic banking is here to stay. Opportunities for growth of Islamic banks are:

- Excellent to very good in the Arab world.
- Reasonably good in the non-Arab Islamic countries.
- Fair to poor elsewhere, especially in the West.

Those Islamic banks that survive will be more banks than Islamic. Islamic banks will continue to modify their interpretations of the Sharia to allow them to function in Western markets and to deal with Western regulatory authorities, while Western banks will continue to use their contacts with Islamic banks to gain partners who may have special knowledge of local situations and customs. Because Islamic banks will have to coexist with and depend upon Western banks to survive and grow, Islamic banking will continue to be set apart from the rejectionist facets of fundamentalist Islam.

Most moderate Muslim governments appear willing to allow Islamic banks to play small roles but do not wish them to emerge as dominant institutions. The forces of the marketplace seem to be in accord with those wishes. Those countries that hope to become major money centers—Saudi Arabia, Bahrain, and Kuwait, for example—have studiously limited their sponsorship of Islamic banks. Those countries that have most vigorously imposed Islamic restrictions on the banking system—Pakistan, Iran, Indonesia, and Sudan (until the coup)—will not become major financial centers. Pakistan and Sudan are more likely to be net borrowers rather than generators of funds. Islam alone may mobilize the savings of the very poor—an admirable and useful development—but it will not attract the capital of the wealthy and sophisticated investor.

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India: The Assam Accord—Rajiv Gandhi Tackles Another Regional Challenge

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Rajiv Gandhi's announcement on 15 August, Indian Independence Day, of the signing of a settlement with student militants in Assam highlights the conciliatory tenor of his administration toward communal unrest as contrasted with that of his mother. As in the agreement reached with Sikhs in Punjab in July, Rajiv made several concessions to local demands that Indira Gandhi had resisted, underscoring his desire to push past longstanding communal problems and fulfill his real agenda—the modernization of Indian society. As Gandhi is discovering in Punjab, however, implementing the details of the settlement in Assam, in an environment colored by mutual suspicion and more than a decade of violent agitation, will prove difficult.

Assamese Xenophobia

Assam is culturally and linguistically isolated from the rest of India. Most tribal Assamese are more closely related to the migratory tribes of south China, northern Burma, and the mountains of Bangladesh. This isolation has increased Assam's resistance to efforts by New Delhi to integrate the state with the rest of the country. The state's varied ethnic mix also complicates New Delhi's efforts to identify leaders capable of speaking for the majority of Assamese.

The conflict in Assam stems from competition between the indigenous population and several immigrant groups for agricultural land, government jobs, educational opportunities, and political influence. Most of the immigrants have arrived from neighboring Bengali-speaking areas of Bangladesh and India. Substantial numbers of Nepalese have also entered the state in the last 15 years. The relative economic success of the immigrants—at the expense of native Assamese, according to agitation leaders—has been a major source of tension and is complicated by religious and cultural differences. Although New Delhi in recent years has begun to limit the flow of illegal aliens by mounting armed patrols and erecting fences and other obstacles along the Bangladesh border, population pressures and competition for

Chronology of Conflict in Assam

1962	*China invades India through Assam.*
1963	*Nagaland carved out of Assam—begins 20-year border dispute between the two states.*
1971	*Creation of Bangladesh following Indo-Pakistani war forces tens of thousands of Bangladeshi refugees into Assam.*
1980	*Assam student groups begin agitation to remove "foreigners," including Bengali speakers from Bangladesh and West Bengal.*
1983	*Two thousand–plus killed in violent boycotts of state elections led by student militants. Indira Gandhi visits state capital, calls for restoration of peace and order—does not touch on problems of "foreigners."*
1984	*Indira Gandhi calls for evaluation of electoral rolls to identify illegal entrants.*
April 1985	*Rajiv Gandhi meets for private talks with both the state governor and the chief minister.*
July	*Naga extremists kill 50 Assamese police in border fight.*
	Gandhi repeals two controversial state security regulations.
August	*Gandhi announces signing of Assamese peace accord in New Delhi; state government dissolved pending elections called for October.*

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Assam: A Thumbnail Sketch

Assam is a mountainous, densely forested state, populated by many different tribal groups—Ahoms, Nagas, Boros—as well as a large immigrant population from neighboring Bangladesh and West Bengal. The state is strategically located along the agriculturally rich valley of the Brahmaputra River. Assam contains great lumber resources and produces nearly 18 percent of India's oil. It lies on the major transportation link from northeast India to China and Burma. The Chinese Army used the central Brahmaputra Valley as access to India during the 1962 Sino-Indian war.

scarce land in Bangladesh continue to drive illegal settlers into Assam.

Assamese nationalist leaders claim that New Delhi is indifferent to their calls for protection from illegal encroachment and that the central government on occasion has even condoned "Bangladeshi expansionism." Assamese extremists say that, as part of Indira Gandhi's support for East Pakistani separatists during its breakaway from Pakistan in 1971, she encouraged East Pakistani Bengalis to settle on government lands in Assam. Extremist leaders claim that New Delhi also has allowed Bengalis from India's overcrowded West Bengal state to move onto choice property in the river valleys of Assam. These claims play upon fears among many native Assamese that they are becoming a minority in their own state.

Leadership of the native Assamese resistance to illegal encroachment comes from several, mostly Hindu, militant student groups—the All Assam Students Union, the All Assam Gana Sangram Parishad, and the Sweccha Sevak Bahini. All three groups are closely interrelated, and all have used violence in pursuit of their common goals:

- Expulsion of illegal immigrants.
- Removal of illegal aliens' names from state electoral rolls.
- National support for the Assamese language and protection of local traditions.

The violence spread in the early 1980s. In 1980, when militant student leaders decided that New Delhi would not respond to peaceful pressures to meet their demands, they encouraged local Assamese villagers to attack their Bengali-speaking neighbors to drive off the immigrants. Gangs of Assamese youths burned crops, attacked isolated Bengali hamlets, fought with local police, and murdered key leaders in the Bengali community. The culmination of this extended round of violence came in the bloody boycott of the state elections called by Indira Gandhi for February 1983. More than 2,000 people—mostly Bengali-speaking Muslim immigrants—died in riots and massacres. 25X1

the agitation leaders rapidly lost control of the violence as villagers took advantage of the disruption to even old scores. 25X1 25X1

Although press accounts of the violence in Assam in 1983 stressed the sectarian nature of the Hindu-Muslim attacks, in our judgment the conflict is grounded in the competition for scarce resources between the indigenous Assamese and Bengali-speaking immigrants. 25X1

native Assamese—Hindus and Muslims—have attacked newly arrived Bengali-speaking immigrants apparently without regard for religious affiliation. 25X1 25X1

Indira Gandhi and Assam: A Muddled Response

Indira Gandhi's on-and-off approach to Assam's demands for greater local control of land distribution, immigration policy, and resource allocation in part reflected her attempt to keep India's state governments off balance and prevent them from challenging central authority. Her seeming ambivalence also reflected uncertainty on how to prevent concessions to the Assam agitators from becoming a dangerous precedent—particularly in view of the growing pressure at the time for similar concessions from Sikh militants in Punjab. Her decision to hold elections in Assam came despite warnings from many advisers that the security situation in the state remained unsettled. 25X1 25X1

Although the Congress Party candidate—a native Assamese Hindu who had been a popular home minister in the state from 1970-71—won, the conduct of the election became an object of contention for the Assamese militants. Press analysis of the final poll indicated that only 38 percent of eligible voters participated and that the return in several districts had been less than 5 percent. Agitation leaders claimed that the majority of voters were drawn from the illegal Bengali immigrant population whose names should have been dropped from the electoral rolls and that therefore the election was invalid.

Gandhi's clear mismanagement of the Assam elections demonstrated how much she had miscalculated the ethnic and communal pressures in the state. She wanted to maintain the appearance of political normalcy and to weaken the militants' political base through elections, but she underestimated the depth of the anti-Bengali feeling among the Assamese. The Indian press attacked her insistence on holding the polls despite direct threats of violence and criticized her use of national security forces, suggesting that their poor deployment during the polling and their failure to protect Bengalis from Assamese attacks underscored New Delhi's failure to grasp the real problems in Assam.

Even after the elections, Indira Gandhi did little to try to resolve the political situation in the state. Although before the election massacres in 1983 she had promised Assamese agitation leaders that she would create tribunals to identify and expel illegal entrants, she never pushed the implementing legislation through Parliament. At the same time, she curtailed the chief minister's authority by maintaining central control over much of Assam's internal security forces.

Rajiv Gandhi and the Assam Challenge

Rajiv said in January 1985 that he would place special emphasis on finding answers to the communal conflicts in Punjab, Assam, and Jammu-Kashmir. Gandhi's approach to Assam has been similar to his push for a peace initiative in Punjab, beginning with a round of high-level discussions between Assamese student leaders and trusted members of his inner circle both in Assam and in New Delhi during April, May, and June. We believe that Gandhi—in marked contrast to his mother—empowered his representatives at these meetings to offer meaningful concessions. By creating a more positive atmosphere and demonstrating a willingness to negotiate issues that had become chronic sticking points under his mother, Gandhi apparently established good faith with agitation leaders in Assam. 25X1

We believe Gandhi hopes that the perception of him as a leader willing to tackle India's persistent communal problems, combined with widespread frustration over the violence in Assam, will ease the way for implementing the peace accord. The Indian press, however, has noted that the new proposals contain little that had not been discussed over the last two years. Several of the most difficult problems have yet to be addressed: 25X1

- How will the accords be implemented, especially deportation?
- Once illegal entrants have been identified, will India attempt to return them to Bangladesh or West Bengal?
- How will New Delhi's concessions to the Assamese be balanced with the rights of legal Bengali-speaking immigrants?
- Can Gandhi move the accords through the Indian bureaucracy with all the guarantees intact? 25X1
- Will Gandhi be able to work with a non-Congress Party government if the current caretaker administration is not returned in state elections tentatively scheduled for October? 25X1

Rajiv is facing similar challenges in Assam and Punjab. Having forged the outlines of a negotiated settlement popular with the majority of the community, he must control the extremists who in each case will seek to prevent acceptance of the deal. 25X1 Although the leaders of the three largest student dissident groups have pledged their support for the accords, other dissident leaders, in an attempt to retain their following in the community, have called the settlement a sellout and announced their intent to continue resistance. Similarly, although the accord has been greeted with support from most of India's

Outline of the Memorandum of Settlement

The 1985 agreement signed by the Government of India and the leaders of the two student groups that led the six-year agitation in Assam covered the major concerns of the secessionist groups.

Under the agreement:

- *The cutoff date for identification of foreigners who illegally entered the state is 1 January 1966.*
- *Foreigners who arrived in Assam during 1966-71 will be disfranchised for 10 years.*
- *Foreigners who entered Assam after 1971 will be deported from the state.*
- *New Delhi will nurture the Assamese language and culture.*
- *New Delhi will provide economic assistance to the state, to include:*
  - *— A state institute of technology.*
  - *— Construction of an oil refinery.*
  - *— Rehabilitation of local jute and paper mills.*
- *New Delhi will issue standard citizenship cards to all registered Assamese voters.*
- *Victims of communal violence will be reimbursed by the central government.*
- *New Delhi will restrict movement into the state by erecting border security defenses along the state's international boundaries.*

Several controversial issues are left to be resolved in future negotiations between the agitation leaders and a caretaker government in the state.

political leaders, the government of West Bengal quickly stated its concern that it will be flooded with Bengali speakers expelled from Assam.

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Gandhi must also mollify Dhaka's fears that implementing the accord will result in the forcible repatriation of tens of thousands of Bangladeshis. The announcement of the agreement coincided with the visit to Bangladesh of a high-level Indian emissary who had been empowered by Gandhi to offer new concessions on water sharing—a major issue between the two countries. Rajiv probably hopes President Ershad values improving relations between the two countries enough to give him time to prove he can resolve Assam's problems and avoid large-scale repatriations.

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Afghanistan: New Life in Helmand Province Insurgency

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Major improvements in insurgent cooperation in the upper Helmand Valley in 1985 have resulted in a high level of activity, threatening Soviet and Afghan regime control of the Kajaki Dam and security on the highway from Qandahar to Herat. For the first five years of the war, insurgents in Helmand Province, beset by internal squabbling, posed little challenge to the Soviets and the Kabul regime.

Strategic Importance

The importance of Helmand Province derives from its agriculture and the segment of the highway from Qandahar to Herat. The most productive agricultural area is the Helmand Valley. In the upper valley, the US-built Kajaki Dam and a 60-kilometer-long lake feed a network of irrigation canals. A hydroelectric station at the dam serves Gereshk—an important transfer and supply point for Soviet and Afghan Government convoys Gereshk is situated on the Helmand River and the road from Qandahar to Herat.

The war has increased the economic importance of the upper Helmand Valley. since 1980 the area has replaced Qandahar as the regional economic center because of frequent Soviet and Afghan bombing of Qandahar. One Helmand village, Tambah, has grown into a major black market for items obtained from Soviet soldiers.

Soviet and regime forces maintain battalion-size garrisons at Gereshk and other forces at Lashkar Gah. The Soviets reinforced their contingent in the province last spring. Larger units are brought in from Qandahar and Shindand for major operations in the province. The rest of Helmand Province has little strategic importance. Apart from the sparsely populated Helmand Valley and the mountainous north, the province is desert.

Insurgent Discord

There were deep differences among the insurgent groups active in Helmand until the last year or so. much of the tension 25X1
grew out of efforts by the Hizbi-Islami Gulbuddin faction to expand its influence at the expense of the more moderate Harakat-i-Inqilab. Beginning in about 1980 and lasting until late 1984, Hizbi and Harakat 25X1
forces fought each other. The struggle intensified when Iranian-backed Shia groups from the Hazarehjat region, eager to take revenge on the Harakat for earlier attacks on Shia groups in eastern Hazarehjat, entered the fighting on the side of the Hizbi, 25X1
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In late 1984 or early 1985, mediation by a local religious leader brought an end to fighting between the Harakat and Hizbi 25X1
and we believe that political shifts outside the region also contributed to an accord among the groups in the 25X1
upper Helmand. in late 25X1
1984 relations between Iran and Hizbi worsened. As a result, the Iranian-backed Shiite groups from the 25X1
Hazarehjat probably loosened their ties to Hizbi, 25X1
making Hizbi accord with the Harakat possible. Moreover, at about the 25X1
same time Pakistan began pressing Gulbuddin's organization to show more tolerance toward other 25X1
Sunni groups to facilitate the formation of the new 25X1
resistance alliance. 25X1

Renewed Insurgency

The end to internecine fighting had dramatic effects on the insurgency in the area. Morale rose and attacks on Soviet and regime targets increased sharply in February and March 1985, producing the heaviest fighting of the war in the Helmand Valley, 25X1

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Harakat attacks on Gereshk resulted in heavy casualties among Soviet and regime forces, and prompted the Soviets to send reinforcements and to counterattack.

Heavy fighting continued into the spring and summer. In March, insurgents attacked Soviet and regime positions near the Kajaki Dam. the attacks continued, with varying intensity, for more than two months. In early June, the insurgents were expecting to retreat into the northern mountains, and, although the insurgents suffered heavy casualties, morale was high. In mid-June insurgents destroyed the Afghan army's 20th Brigade and killed its commander. Government retaliatory strikes aimed at breaking the alliance succeeded mainly in killing large numbers of civilians. In mid-July Soviet and Afghan forces broke off the offensive.

The insurgency in the province remains strong. although the guerrillas admit to heavy casualties and large arms and ammunition losses, they claim to have inflicted much heavier losses on the Soviet and Afghan forces. They were especially proud of having successfully resisted Soviet and Afghan regime efforts to take the village of Musa Qaleh. At heavy cost, insurgents aggressively attacked advancing armored vehicles, destroying many and breaking the siege. Insurgents claim, moreover, that more than 300 regime soldiers deserted to the resistance during the fighting.

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Outlook

Prospects are good for a continuing strong insurgency in Helmand Province. Soviet and Afghan regime military pressure has often caused insurgent groups to set aside internecine quarreling and concentrate on fighting. Such pressure is likely to continue. Once begun, military cooperation among insurgent groups has tended to persist.

Insurgent cooperation in Helmand, however, probably will remain somewhat vulnerable to political shifts outside the region. For example, a strong effort by Iranian-backed Shiite groups to extend their influence into the Helmand Valley—though unlikely in the near term—could disrupt the current cooperation and set in motion internal bickering.

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South Yemen: The Old Guard and the Next Generation

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Under the leadership of President Ali Nasir Muhammad al-Hasani, who took power in 1980 after the bloodless overthrow of pro-Moscow President Abd al-Fattah Ismail, South Yemen has steered a more pragmatic course. Hasani's policies reflect his long-held views that South Yemen should rely less upon the Soviets, return to the Arab mainstream, and give more responsibility to the younger, more moderate members of both the ruling Yemeni Socialist Party and government. we suspect that this new generation of leaders will be more pragmatic and less susceptible to Soviet influence than its predecessors.

The revolutionaries of South Yemen's National Liberation Front who expelled the British in 1967 belonged to various political factions that included opportunists, Arab nationalists, and pro-Moscow ideologues. After independence, doctrinaire leftists gained political control through mass executions and vicious political infighting, resulting in the exodus of roughly one-quarter of the country's population. Since the late 1970s, however, a more moderate leadership has been gaining ground. Numerous incidents this year of sharp political infighting and assassination attempts between Hasani's faction and the more radical old guard have exposed unresolved political cleavages. The Yemeni Socialist Party congress in October almost certainly will be a showdown between the old guard and Hasani. It could also mark a watershed as a new generation of South Yemeni politicians, primarily those who did not fight in the independence struggle against the British, come to the fore.

The Old Guard: Political Neanderthals

Former Defense Minister Ali Antar, in his early fifties; current Defense Minister Salih Muslih Qasim, in his late forties; and former President Abd al-Fattah Ismail, in his midforties, may personify Aden's revolutionary old guard.[1] All three were charismatic guerilla leaders during the independence struggle and have earned reputations for their ruthlessness. The old guard's political style—typified by these three—is to settle disputes with force. Both Antar and Qasim are ill-educated "Heroes of the Revolution" and have strong tribal and military ties. Both played important roles in Aden's coups of 1978 and 1980 Abd al-Fattah Ismail, who fled to Moscow in 1980 when Hasani ousted him and has since returned to Aden, is well educated and renowned as a pro-Soviet ideologue.

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The old guard's brutal method of resolving differences has become increasingly ill suited to the party political style Hasani has cultivated since 1980. In particular, Hasani has nurtured a more collegial form of decisionmaking that allows him to develop and then consolidate party consensus. This approach undercuts the old guard by limiting political disagreement and by associating the party's top leaders with his decisions. Qasim and Antar have often been unable to attack Hasani's policies without attacking the party itself, an anathema to South Yemen's leftists.

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Ali Nasir Muhammad al-Hasani: A Transition Figure?

President Hasani could be presiding over the transition in leadership from aging revolutionaries to a new generation. He fought against the British but did not play a major leadership role. Hasani, unlike Antar and

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[1] The term "old guard" is used here to refer to a group of South Yemenis that has held important government positions since their days as guerilla leaders as opposed to the younger generation that is only now rising. Old is a relative term in Aden, where most of the population is very young and the average lifespan, for various reasons, is short.

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Qasim, has a vision of Aden's future.[2] He has encouraged his supporters to ride out Aden's political storms and plan for the long term rather than the immediate future. Throughout his career Hasani has emphasized the involvement of the Yemeni Socialist Party in government decisionmaking, in contrast to the more conspiratorial old guard, which has depended on behind-the-scenes maneuvering by former guerilla cadres. We believe that the moderation of Aden's once radical foreign policy and Hasani's pragmatic economic reforms also appeal to the next generation of South Yemeni leaders.

Hasani almost certainly has cultivated political ties to the rising generation Hasani regards technocrats as an important part of his power base and that the younger generation constitutes Aden's largest pool of technocrats.

Hasani's views dovetail with those of the next generation.

Aden's Next Generation

South Yemen's rising young politicians are likely to be substantially different from their predecessors who led the struggle against the British. In contrast to many of Aden's old guard revolutionaries, the next generation is better educated, better traveled, and more pragmatic, In addition, these young South Yemenis have few memories of British colonial domination, an important shared experience for their elders. For many young South Yemenis, the upheaval that followed the revolution—not the revolution itself—was the seminal event in their formative years. We believe they are determined not to allow it to happen again.

[2] Former President Ismail also has a vision of Aden's future: a Marxist state exporting revolution to the Arabian Peninsula. We believe that Ismail's mismanagement of Aden's economy, his support for insurgents in North Yemen, and the 1979 border war with that country have discredited him.

The next generation and the old guard are most clearly divided over the issue of economic development. Abdallah Sa'id Abadan, in his midthirties and Deputy Minister of Planning, may typify the younger generation. In opposition to more senior party officials, he has argued strongly for awarding development contracts to Western firms.

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Little Love for Moscow

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Younger South Yemenis were reared for the most part under a Soviet-style system, and its members seem to dislike the effects of Aden's imitation of Moscow. Soviet aid has not lived up to Aden's hopes for modernization: the country remains a backwater despite Soviet and South Yemeni propaganda. Projects involving the USSR generally are not completed on time, do not produce as specified, and cost more than promised, Development projects sponsored by Western states—a power plant by the Japanese and the Nishtawn Port modernization project by the Danes, for example—have impressed South Yemen's technocrats because they were completed on time, cost what they were supposed to, and work well.

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Young South Yemenis have other grievances against the Soviets. many South Yemenis resent the substantial Soviet presence and the disparity between the lifestyles of resident Soviets and natives. many South Yemenis refer to the Soviets as "locusts." This view may be even stronger among the young South Yemenis who hold middle-level government positions. One such official may have expressed the sentiments of his generation when he said words to the effect that the South Yemenis live in shacks and the Russians live like kings.

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A Speculative Profile of Aden's Next Generation

South Yemen's rising leaders seem to share some important characteristics:

- *Strongly negative views about the excesses that followed the revolution.*
- *Dissatisfaction with the slow pace of economic development and the leisurely completion of Soviet aid projects.*
- *Intensely nationalistic.*
- *Better educated and a more sophisticated view of world politics than their predecessors.*
- *Willing to look to the West for trade and economic development assistance.*
- *Weaker links to the military than the old guard and probably less bellicose.*
- *Advocate reducing South Yemen's isolation from the mainstream of Arab politics.*

The emerging generation of political leaders may well be more nationalist than the old guard and less willing to follow Moscow. Young politicians in Aden have urged greater economic and political relations with the West, claiming that such ties serve Aden's national interests.

the younger generation may believe that the old guard has exchanged British colonialism for Soviet imperialism. There is a substantial body of evidence indicating that "Hero of the Revolution" Ali Antar offered basing rights in South Yemen to the USSR during Admiral Gorshkov's trip to Aden in 1983, and that he was criticized scathingly by younger officials for his offer.

Implications

The next generation has the potential to exert a moderating influence on South Yemeni politics. These young politicians will ultimately assume greater roles in Aden's decisionmaking, a process that we believe will advance US interests. Among other things, the rise of relatively pragmatic officials in the South Yemeni Government offers the long-term possibility of reducing Soviet influence. 25X1

The odds are better than even that Hasani will survive the October party congress and emerge strong enough to continue or extend Aden's moderation. We expect him to give increasing weight to the younger generation because its political support is important to him and because he seems genuinely to be in sympathy with them. If Hasani does not obtain a political mandate at the party congress, his successors—particularly the hardliners—will have to cope with a rising generation of officials who will disagree with at least some of their policies and may well attempt to undermine them. 25X1 25X1

Unless South Yemen discovers oil, however, Aden will have precious little room for manuever with the Soviets. Aden's continued poverty and dependence on the USSR for military and security aid will make it unlikely that South Yemeni leaders can significantly loosen Moscow's bear hug any time soon. 25X1 25X1 25X1 25X1